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A PHILOSOPHY FOR ENTERPRISE

RICHARD C. FAY

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by

Richard C. Fay
Commander, U. S. Navy

Bachelor of Science 1944
United States Naval Academy

Naval Engineer 1950
Massachusetts Institute of Technology

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Thesis directed by

Arlin Rex Johnson, Ph.D.
Professor of Business Administration

PREFACE

We have in all of us some rationality, some irrationality, and some nonrationality. So it has been with our enterprise. Many have written in each vein and others have taught. But never in all of getting have we truly become understanding. I have struggled with this.

By providence, by hard work, by considerable luck our fathers have left to us the most colossal assemblage of wealth which any people ever inherited. In recent generations the sheer, overbearing preponderance of this wealth has been enough to perpetuate our way in the face of ambition of other ways of life. There is no reason to expect this to continue by chance.

Our vast resources of men, things and nature have won two world conflicts. We have not fought with less resources than an enemy since Valley Forge. (Some would count Stonewall Jackson's efforts in the days we fought among ourselves). But present are more men, more natural resources, and considerable dedication in the opposing camp. Our tradition is to insure our blessings for ourselves and our posterity. This requires a philosophy for enterprise.

My central purpose in this thesis is to thread a line among the facets of ideas which have been presented and draw them together in a concert which will be, for me, a basis of

continuing to preserve our assets and, at the same time,
a foundation for future growth. Hopefully some others may also
find the basis useful.

I am deeply indebted in this writing to Dr. A. Rex
Johnson, the director of my curriculum, for the specifics of
learning, for example in adversity and for depth in understanding.

Richard C. Fay

Bethesda, Maryland

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INTRODUCTION

By the law of the Jungle it is death to kill at the drinking-places when once the Water Truce has been declared. The reason for this is that drinking comes before eating. Everyone in the Jungle can scramble along somehow when only game is scarce; but water is water, and when there is but one source of supply all hunting stops while the Jungle-People go there for their needs.¹

In former days we were able to have as president a general who was at once a surveyor, a farmer and a merchant. Our homespun philosopher, Benjamin Franklin, was a printer of no mean repute, an inventor and a diplomat. For a short time this multiplicity of ability continued. It was founded in long standards of excellence which permitted all successive men to have a total view. The vision of these and their contemporaries established a system which would: "form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty. . . ." ² Never before were these concurrent.

Time can play tricks on concepts, particularly when they are applied in retrospect or when the weight of all knowledge

¹ Rudyard Kipling, The Jungle Books (Garden City, New York: Doubleday and Co. Inc., 1943), I, p. 72.

² U. S., Constitution, preamble.

is not brought to bear on the application. The horizons of knowledge do not stand still when progress is demanded. Americans have demanded progress and the enterprising have at once provided the means of progress and taken some of the profit from the effort. The problem we face is how to continue to enterprise when the hunting becomes more difficult.

Technology has literally exploded in recent years and has thereby provided unbelievable opportunity for enterprise. The range of knowledge thus available is so broad that only a decreasing few can achieve in more than one area simultaneously. The day of the broad-gauged practicing intellect is closing. In consequence we face unlimited opportunity with limited capability. This is why the interdiscipline approach or the system concept is so vital. It is also why a philosophy for enterprise which draws exclusively from the views of the intellectuals on the one hand or from the practicing businessman on the other can not apply. On the other hand, we would not build a ship without a model, or market an automobile without a road test.

So it is with Philosophy for Enterprise. The technique used in this paper is to first examine the philosophical foundations and economic roots of our society. This is tempered by the peculiarities of geography, particularly the sheltering seas which protect us. From this basis the thinking of the intelligentsia can be explored in managerial philosophy. Next, we turn to the practical side as expounded by successful

enterprising men and determine their views. Finally we correlate the ideas and the practice.

The search here is for a realistic philosophy for enterprise which derives from our strengths and which will apply in years ahead, as knowledge and opportunity increase. Enterprise is close to management but it is bigger, more challenging, and more demanding. To enterprise is to undertake new things.

CHAPTER I

HISTORICAL DEVELOPMENT

They were going on in this little thriving posture when the three unnatural rogues, their own countrymen too, in mere humor, and to insult them came and bullied them, and told them the island was theirs; that the governor, meaning me, had given them the possession of it and nobody else had any right to it; and that they should build no houses upon their ground unless they would pay rent for them.³

The history of enterprise is tied intimately to the evolution of Christian philosophy. Enterprise, in its American form, relates in development to the peculiarities of geography and to the astounding technological advance of the recent centuries. Foundations of American capitalism lie deep in the years rooted in moral principles. At the same time it is not antique. Quite the contrary, it is a vibrant, fluid concept which brought us from colony to power in less time than other cultures required to build walls and monuments.

Philosophical Foundations

Since the birth of man, needs and resources have reached only occasional precarious balance. These fleeting moments have been few because the satisfaction of each need brings a new

³Daniel Defoe, Robinson Crusoe (Garden City, New York: Doubleday and Co. Inc., 1946), p. 233.

and more demanding need.

At the dawn of the Christian era Greek philosophy had degenerated into doubts. It had lost the noble inquiring drive which for thousands of years previous characterized Greek culture as a leading influence in the ancient world. The phenomena was evidenced by increasing specialization and narrowing of thought among Greek intelligentsia. The people developed a need for an objective which was positively stated. Christianity, which was at once a belief for servants and scholars, filled the need.

Positive social objectives are replete in the early church. The injunctions: heal the sick, feed the hungry, forgive transgressors, singly and together motivated a life of service. Based on the singular possibilities of men, all men, the missionary Christians proclaimed a new philosophy grounded in the past but projecting to the future. These ideals and action were, of course, not without consequence.

A theologically centered life developed in which natural science observations required only superficial explanation to clarify religious doubt. Scientific effort was limited and civilization of the barbarians in all corners of the world became the central task. During this thousand years intellectuals were, in the majority, members of the priesthood. Their achievements were recorded and preserved in monasteries. In the natural course church, state and wealth centralized. The comingling of church and politics brought issues which

resulted in the reformation.

There was no appreciable change in the position of science immediately following the Reformation. The Protestants continued to view theology as the scope of human knowledge and the queen of intellect. The diversity of sects did, however, fragment the political scene into many states. This independence immediately permitted variety of opinion and exploratory thinking in scientific fields began. Each inquiry raised more question and the technological race was on. The deep roots in Greek philosophy showed influence in the emphasis on the rational method.

Rationality has predominated in American technological thinking. The arts have been different. Here systematized expression reflects in some, but emotional expression is not uncommon. The human need to be understood and interpret developed to the point that communication is itself a specialized science.

Economic Roots

The economic roots of our enterprise entwine with the philosophical foundations. The Greek philosophers encountered the arguments on reward for labor and uses of exchange. Invariably the solutions were expressed in terms of a moral code which lead to concepts such as immorality of interest on lending. This appears also in the Bible and, in fact, has not completely disappeared today. This moralism and identity with

theology was even stronger in the Middle Ages as intellectual thought centered in religious orders. The economic stability of the times was fostered by maintenance of the status quo with the individual quietly bearing his lot and seldom exceeding his station.

Balance in economy could not persist as the monastic enterprises grew into small industry and more particularly became large agricultural operators. A means of avoiding the immorality of interest developed in the judicious use of contracts and the management of estates in the church-state era became an important skill. The Reformation with its multiple states merely shifted the recipient of revenues to a new ruler instead of the feudal ancestor. Now the need to increase resources and revenues became compelling and political economy was born.

Adam Smith inquired into the nature of natural economics in 1776. His statement of principles held that real wealth was labor which could only be enlarged by increasing efficiency in use; that trade could improve the common lot, and that money was an exchange parameter. He opposed the management of the state for the benefit of the ruler but he was not anti-government. In fact, on the contrary, he viewed equal opportunity for all as essential even if governmental action were needed to insure. Monopoly, special privilege, and all things contrary to reasoned fair, self interest were his foes. The application of a total intellect with careful analysis to the problems of

the day had major impact on the time. Smith's work influenced all his contemporaries, but the need of the times was great and trade was surging. Vast Industrialization was not far behind.

Economic theory has developed to its present form in accelerated fashion. This thesis does not elaborate in these areas because they are so well documented elsewhere. The bibliography includes several of these works for ease of reference.

Any concept of free economic order must, however, be based on a major assumption of rational action, that people try and sometimes succeed in reasoned logical fashion. This limitation is no different from a variety of assumptions in other science. It does highlight, however, the value of the empirical and cautions against indiscriminate application of rationality.

The Shelter of the Seas

The initial colonization of the United States portion of the North American continent was directed to the satisfaction of the needs of the European countries. These covered the full range from the search for religious freedom or converts, a search for new raw materials and markets or simply the hope of individual economic gain. These motives found somewhat different expression in the colonies founded by each country. Spain searched for gold, silver and a base for oriental trade. French colonies were mostly private commercial ventures. The Dutch,

Swedish and English colonies were trading colonies in the beginning. Of all the European countries the English colonization had the greatest impetus. The island economy of England was based on trade which was in jeopardy due to European rivalry and religious wars.

The American colonies grew largely because of the natural resources available. The colonies which exploited the extractive trades of fur, lumber, fishing and whaling soon were exporting goods in favorable enterprise which generated some capital and at the same time provided speculation of interest to European investors. The British discouraged industrial manufacture because of their own needs for raw materials and their desire to retain the developing market. Opportunities were large for sawmills, shipbuilding, gristmills and similar related industry. The situation encouraged individual enterprise and private ownership which had developed after the failure of communal arrangements in Plymouth and Jamestown. The preponderant employment in early America was agriculture, which prospered because of the abundance of land. At the same time the sea provided a highway for trade and some isolation from the European wars.

The growth of the colonies continued and the individualism of the new land came to resist improper regulation by the British. Independence which was achieved by the states operating under a loose knit Articles of Confederation failed to provide protection of economic interests. The variety of state laws and regulation

caused conflict of interest among the states. Investors and speculators in public securities provided over half of the delegates to the Constitutional Convention in 1787 which resulted in the establishment of an effective central government which would safeguard both mercantile and agrarian Capitalism. This was accomplished by definition of authority provided to the central government particularly in areas of regulation of foreign and interstate commerce, currency and to lay and collect taxes, duties, imports and excises to pay the debts.⁴ The citizens who shaped the Constitution also controlled the new government which resulted in an early safeguarding and promotion of commercial and of landed interests. One of the early acts was to pass a tariff as a revenue measure. The imports via the seaways aided our commerce and helped to support the central government.

Jefferson, strong supporter of agricultural interests, maintained tariff as a source of revenue but supplemented it with land sales. The scene was set for the Industrial Revolution. The War of 1812 had diverted capital from mercantile to industrial interests while the shortages of imported goods caused nationalism and economic independence. The wealth of resources, particularly water power, permitted the establishment of the factory system. The introduction of steam permitted even greater productivity, quality, and product standardization. The powers which had earlier been consolidated in the central

⁴ U. S. Constitution.

government resulted in the several states becoming the largest free trade area existing. Despite the restrictions against foreign trade which resulted from the protective tariff the United States manufacturers began to develop an increasingly important export trade. Growth was rapid and by 1900 industrial goods were double the value of agricultural goods produced. During this time the quest for resources, the explosion of immigration and the opening of western lands all fostered by free trade and transportation enterprise resulted in the rise of the United States to the position of foremost industrial power.

This industrialization brought two new phenomena: industrial consolidation and financial capitalism. The benefits of elimination of competition, stabilization of production and prices and combination of managements led to the formation of large industrial units. Correspondingly large financial organizations appeared to handle the capital requirements of these huge ventures. Public reaction to the trusts and monopolies reflected in regulatory legislation and court decisions directing dissolution of some of the combines. Fortunately bigness alone was not evil in the eyes of these decisions. Bigness in restraint of trade was prosecuted. By World War I, most of the anti-trust crusade was over and the central government returned to its historical laissez-faire attitude.

Big business brought big labor. The employee seemingly at the mercy of the huge combine organized for protection.

A rallying cry was to obtain more of the benefits of the industrialization and to prevent job loss with mechanization. The growth of cities in the factory areas facilitated the organization. The tragic industrial warfare which followed as the unions engaged the industries lead eventually (1913) to federal labor legislation. Balance was restored.

The velocity of growth accelerated through the twenties and reached an overextension culminating in the great depression. Many blames are assigned including over-credit, over-production, over-investment, or under-buying by foreign sources, or under-income to farmers, etc., but perhaps over-confidence in quick profit was the basic cause. At any rate the impact on Americans was fantastic. The resulting recourse to central economic control and action was needed but was nevertheless a return to historically based promotion of the public welfare. The policy of laissez-faire was abandoned and big government joined big business and big labor.

The isolation behind the sheltering sea which represented the American reaction to the failure of collective security was doomed with the advent of World War II. During the war years the industrial production of the United States doubled and the history of vibrant expansion resumed. America became the arsenal for war and the banker for peace. The technological advances shattered isolation forever and the horizons of enterprise were world wide.

CHAPTER II

WHAT CAN WE LEARN FROM LEARNING?

There was once a poor man who had four sons, and when they were grown up he told them that they must now make their own way in the world. "I have nothing to give you," he said, "and so you must go out among strangers and learn a trade." So the four brothers took their walking staffs and, bidding their father goodbye, went out through the gate of the town altogether. After they had traveled some distance, they came to a point where four crossroads met.⁵

Philosophy for enterprise must be based on management thinking and practice. In both areas a diversity of opinion can be expected. The evolution of management thinking ranges from Taylor's search for the one best way of solving a problem by systematic "scientific" management; through Fayol, who viewed management as administered from the top by the application of "principles", to Mayo who reacted against the concept of the economic man and founded "human relations"; and finally to today's advanced thinkers in "management science" such as Leavitt and Whisler who coined the term "information technology".

The synthesis of this philosophy for enterprise naturally draws somewhat from all of these, but more particularly, from the works of Peter F. Drucker, Ralph C. Davis, Chris Argyris

⁵ Grimm Brothers, Grimm's Fairy Tales, Trans. Mrs. E. V. Lucas, Lucy Crane and Marian Edwardes (New York: Grosset and Dunlap, 1940), p. 307.

and Oscar and Mary Handlin. In this chapter we explore these writers in more detail.

Ralph C. Davis

Ralph C. Davis of Ohio State University has devoted considerable intellectual effort to developing a management philosophy. His technique follows classical logic and usually consists of setting down objectives, analyzing the difficulties in terms of constraints, establishing limiting factors, stating a working hypothesis, evolving a plan and finally programing individual projects. In a recent article he sets down the bases and requirements of a philosophy of management thus:

1. The right of private property and the concept of a "free" market economy.⁶

He emphasizes economic decentralism as contrasted to socialism, monopoly, centralized controls beyond essential minimum requirements, or any alternative to private capital formation.

2. The concept that the primary objectives of the business organization are those economic values that are needed or desired by its customers.⁷

Here, then, he views enterprise as a service in the public interest. Next:

3. An earned profit depends on a prior competitive accomplishment of a company's service objective.⁸

⁶ Ralph C. Davis, "A Philosophy of Management," Advanced Management, 24, No. 4 (April, 1959), p. 5.

⁷ Ibid.

⁸ Ibid.

This can be regarded as "intelligent selfishness" or "enlightened self interest". Also:

4. Progressive conservatism . . . does not sanction efforts to turn back the clock . . . or to bet the fruits of past technical and managerial achievements of private enterprise on the nose of some untested economic, political or social hypotheses.
5. Recognize the importance of big rewards for big results.⁹

The fifth requirement is particularly important because it provides a positive motivation based on the validity of profit which in turn is an essential facet of subsequent capital investment by the enterprising person. Further requirements are:

6. An uncontrolled exercise of executive authority is neither in the public interest nor in the interest of private enterprise.¹⁰

Professor Davis thus reiterates the opinion of all leaders who recognize that decision and command are necessary to lead but, that the process is fraught with responsibility. He places these moral requirements:

7. Emphasize the importance of ethical principles in the formation of business policies.¹¹

And:

8. Require the recognition by owners and managers of labor's right of collective bargaining . . . (and the obligation of labor to) support management's right of executive leadership.
9. (Apply) concepts of delegation, decentralization, individual initiative and individual accountability.¹²

⁹Ibid.

¹⁰Ibid.

¹¹Ibid., p. 6.

¹²Ibid (parentheses supplied).

Finally Davis adds a last requirement which encompasses:

10. A logic of effective thinking in terms of business objectives, policies, functions, factors, and relationships.¹³

Ralph C. Davis is thus seen to be a more practical educator who strongly supports rational techniques, conservatively applied change, and integrity of the individual, group, and business in terms of morality and contract agreements.

Peter F. Drucker

Peter F. Drucker is probably the most widely known and highly respected industrial consultant and management authority in the view of practicing American enterprisers. He is a lecturer to many management groups, a prolific author and university professor. He constantly speaks of the "multi-dimensional" job of management, scorns the search for one objective as being as fruitless as a search for a philosopher's stone, but rather, stresses performance and vitality as they have impact on the continuing thriving enterprise. Drucker's view of the future presents a challenge:

Perhaps after all the next decade does confront American business with one central management problem. This problem is top management itself: its seriousness, vision, competence, knowledge, values, and leadership.¹⁴

¹³Ibid.

¹⁴ Peter F. Drucker, "The Next Decade in Management," Dun's Review and Modern Industry, June, 1959, p. 59.

In any view of enterprise a defense of profit is possible only when the capacity to compete is maintained. This is another challenge because we face severe competition from the highly industrialized western Europe and at the same time face the Russian ideology and industrial growth. Maintenance of capacity will require the fullest use of knowledge resources, the most effective management, the proper use of specialization, the maximum development of people and above all the proper use of automated communication. In such competition Drucker sees some basic points of emphasis:

It is the manager who is the visible difference between the economic system of the free world and those of the dictatorships. The basic difference is that the free world believes in a variety of autonomous, self-governing decision centers throughout society and especially in the economic sphere. The dictatorships believe only in the technicians who carry out the orders of a central all powerful decision maker.¹⁵

Drucker has major concern with the effectiveness of managers. (In this application effective implies the achievement of a desired result as contrasted with the use of efficiency which has a different connotation--the minimization of waste). Here is his formula for success:

Do a few jobs well, eliminate the obsolete,
know how to spend time, avoid unproductive decisions,
test ideas.¹⁶

¹⁵Peter F. Drucker, "Management for Tomorrow,"
Data Processing, December, 1961, pp. 34-35.

¹⁶Peter F. Drucker, "How to Be An Effective Executive,"
Nation's Business, April, 1961, p. 21.

These points require elaboration to apply to enterprise philosophy. Recognize that in any effort there are usually some few elements that make a difference in the outcome and it is more effective to concentrate on these than to dilute the effort over all of the intangibles whether they are important or not. In the same sense elimination of obsolete requires concentration and determination. Drucker amplifies:

There is a great deal of talk today about creativity as the source of innovation. The only dependable way to get innovation, however, is to make sure that we get rid of the old, the outworn, the no longer profitable or productive.¹⁷

In learning how to spend time an executive must do more than know which items of work are important; more than schedule his time, he must constantly test himself to insure that he is actually using his time on his few important jobs which he does well. This is an essential application of the testing concept in Drucker's plan. Even more important is to see if things work. Rather than to study, theorize, discuss or otherwise procrastinate, test the idea.

Finally he amplifies the avoidance of unproductive decisions:

Executives who center their work, their worries, their ability on status problems and operations rarely have time left for basic decisions.¹⁸

Professor Drucker has not devoted all of his efforts to the mechanics of managers or to the broader issues of our enterprise system. He has a basic concern with people which

¹⁷Ibid.

¹⁸Ibid.

is witnessed:

For the enterprise is a community of human beings. Its performance is the performance of human beings. And a human community must be founded on common beliefs, must symbolize its cohesion in common principles. Otherwise it becomes paralyzed, unable to act, unable to demand, and to obtain effort and performance from its members.

If such considerations are intangible, it is management's job to make them tangible by deeds. To neglect them is to risk not only business incompetence but labor trouble or at least loss of worker productivity, and public restrictions on business provoked by irresponsible business conduct.¹⁹

Drucker forecasts important changes for business, particularly in the areas of the workforce, innovations, markets, finance and international and national policies toward business. He cites four main areas where managers should prepare for challenge and opportunity:

1. The greatest changes may well come in the structure of the American workforce and in the management and organization of people at work. . . .

2. An entirely different but no less serious challenge for the American manager lies in the increasing tempo of innovation. . . .

3. This takes us into another problem area: marketing, especially the marketing of a new or improved product. . . .

4. The final area likely to produce new challenges within the manager's daily compass is financial policy.²⁰

These areas, concisely stated, bring challenge with the preponderance of salaried workers; the explosion of technology and the direction of innovation; the need to keep in focus the

¹⁹Peter F. Drucker, The Practice of Management (New York: Harper and Brothers, 1954), p. 62.

²⁰Peter F. Drucker, "The Next Decade in Management," Administrative Control and the Executive, ed. B. C. Lemke and J. D. Edwards (Columbus, Ohio: Chas. E. Merrill Books Inc., 1960), pp. 770-774.

production of what the market wants to buy, and lastly the concentration of capital investment prerogative in the hands of professional finance institutions.

Peter F. Drucker is a man of principle convictions strongly asserting a forward look with reapplication of rational techniques while maintaining concern for people and integrity.

Chris Argyris

Since both of the educators previously discussed give such prominent attention to the human aspects of management it is worthwhile to examine the views of an authority on administrative organization. Chris Argyris is an educator and author of note. He has made contribution to the practice of human relations particularly by refusing to adopt "gimmicks". He recognizes the complexity of people, their refusal to be manipulated, and their need for respect as basic to philosophy of enterprise.

Argyris considers that the problems of people in organizations derive from basic incongruence between the nature of relatively mature individuals and the healthy formal organizations. If the goals of the organization are to be met then the leadership must "fuse" the individual and the organization in such a way that both obtain optimum self-actualization. In other words effective leadership means the individual is using the organization to fulfill his needs while at the same time

the organization uses the individual to achieve its demands.²¹
This is the resolution of the conflict between the system and the individual.

This attitude leads to Argyris' opinion that the executive must first diagnose the situation and then decide what is the effective behavior in the situation. He writes:

Effective leadership requires effective diagnostic skill.

How effective a diagnostician can an executive be? What factors exist "in" the executive and "in" the organizational context that inhibit effective diagnosis: (1) barriers of secrecy between formal and informal aspects of organization; (2) distorted upward and downward communication; and (3) apathetic disinterested, "double-loyal" employees who adapt to conflict, frustration and failure. . . .²²

He amplifies by describing the essential skills which have been identified in research on executives:

Five basic human skills have been identified on the basis of analysis. Skill in self awareness, in effective diagnosing, in helping individuals grow and become more creative, in coping with dependent-oriented, apathetic, disinterested employees and in surviving in a competitive world of management. . . .²³

He continues:

The research focuses on understanding, as clearly and as completely as possible, the organism as a whole on whatever level it exists. This focus is congruent with a principle of effective diagnosing that whatever the unit being diagnosed, the diagnostician must have the feeling that the unit has a right to a healthy, growing life.²⁴

²¹ Chris Argyris, Personality and Organization (New York: Harper and Brothers Inc., 1957), p. 211.

²² Ibid., p. 212.

²³ Ibid.

²⁴ Ibid., p. 213.

And finally he emphasizes:

Nowhere . . . does one find a suggestion that the executive ought to learn how to "sell" the company to the employees, or "how to behave with kid gloves" or "thirty best ways to get things done through people". On the contrary, as is recommended above self-awareness and diagnoses are emphasized.²⁵

It is remarkable that the detailed research of Argyris should come to a conclusion which is virtually identical with the banner which appears in every issue of Forbes, Business and Finance: "With all thy getting get understanding."²⁶ This penetrating thought expressed by the late B. C. Forbes is essential to philosophy for enterprise.

Chris Argyris' viewpoints thus contribute substantially to understanding of human action which, after all, are the cause, effect and ingredient of enterprise.

Oscar and Mary Handlin

We have noted before that a philosophy for enterprise implies value judgments deriving from our American traditions, our concepts of economics and religion and our own view of ethics and standards of liberty. Oscar Handlin is the Director of the Center for the Study of the History of Liberty in America at Harvard University. He is a winner of the Pulitzer Prize for History, and with his wife, Mary, has written and researched extensively in the area of American liberty. They provide a

²⁵Ibid., p. 214.

²⁶[B. C. Forbes], "Fact and Comment," ed. Malcolm S. Forbes, Forbes, Business and Finance, March 1, 1962, p. 10.

basis for important judgment on enterprise.

The views afforded by the various perspectives from which liberty was regarded revealed that it constituted, after all, but a single subject--the way in which men pursued their hopes for achievement by cooperating voluntarily or by consenting to be governed.

The free American was an individual who wished to expand his capacity for action by increasing the number of choices available to him. He sought the company of others but under terms that would release, not bind him. He used rather than feared coercive power because he could control it by protective procedures which transformed violence into mutual consent.

The free man accepted these terms of his freedom because experience demonstrated its advantages. The gains of common effort, diffused through society, gave all a stake in it. The free man also developed the means of acting without constraint. The experience of migration and the problems of living among strangers taught him the modes of voluntary association which added to his power without binding him. Finally, he worked out the means of applying restraint at the points at which it was necessary through procedures to which he himself consented.²⁷

The Handlins' examination into the nature of American liberty brings conclusions which follow closely those of Argyris working from a different reservation. The reservations and questions for study in the future of liberty are viewed:

. . . in practice it is often tempting to treat the "stages" of economic growth as if they existed altogether apart from their social and cultural context, to suppose that industrialism can be applied in much the same way to any community just as earlier Americans believed that representative government could.

The questions that need answers are of a more specific order. Have loose political controls influenced the process of capital formation, the

²⁷ Oscar and Mary Handlin, The Dimensions of Liberty (Cambridge, Mass.: The Belknap Press of Harvard University Press, 1961), p. 157.

receptivity to innovation, the ability to absorb the costs of mistakes, and the modes of disbursing the products of industry.²⁸

The concern of Drucker for the "values" of managers, or Argyris for "effective" leadership, of Davis for "progressive conservatism" and of Oscar and Mary Handlin for the dimensions of liberty give us a basis upon which to test the views of practicing business executives and, then, a foundation to build upon for a philosophy for enterprise.

²⁸Ibid., p. 162.

CHAPTER III

WHAT IS A BUSINESSMAN'S PHILOSOPHY?

That was before the hard times of which I have told you before. Everybody had plenty to eat, and everybody was on the best of terms with all his neighbors. Then came the hard times and the beginning of the hard times was the coming of rough Brother North Wind and Jack Frost. Their coming made the first winter. It wasn't a very long or hard winter, but it was long enough and hard enough to make a great deal of discomfort, particularly for those little people who lived altogether on tender young green plants. Yes, sir, it certainly was hard on them. Some of them nearly starved to death that first winter, short as it was.²⁹

It is the essence of a philosophy enterprise to be practical and applicable in a business environment. What do enterprising men in the day-to-day whirlwind of American Capitalism actually say about the principal points made by the intelligentsia? These topic areas include: Profit, Performance, Civic Relationships, Creativity, and Humanism.

Profit

"The acid test for all enterprises must be the profit return to the stockholder in relation to the original capital invested."³⁰

²⁹ Thornton W. Burgess, Mother West Wind "How" Stories (Boston: Little, Brown, and Co., 1930), p. 150.

³⁰ "The Acid Test of Management," Dun's Review and Modern Industry, 79, No. 1, January, 1962, p. 32.

This is a predominate view among businessmen, stated succinctly by Hans Stauffer, the president of the Stauffer Chemical Company. It is extremely significant, however, that Mr. Stauffer was a member of the President's Panel for the periodical Dun's Review and Modern Management which selected Roger M. Blough of the United States Steel Corporation as Executive of the year for 1961. Mr. Blough is characterized: "An articulate top businessman who can state industry's case clearly and forcefully."³¹

Other businessmen regard profitability as basic. Fortune magazine investigated decision making among executives and reported in August 1955, these views as principal facets in the decision process. First, Mark Cresap of Westinghouse Electric Corporation:

1. The rate of return on the investment involved,
and
2. Maintaining the company's position in the industry.³²

Then A. A. Busch, president of Anheuser-Busch, St. Louis, is quoted: "Profit over the long haul."³³

Another supporter is Dwight Joyce, Glidden Corp.: "A corporation does things for one reason--profit."³⁴

Mr. John O. Chiles, the president of the real estate firm of Adams-Cates Co., Atlanta, comes bluntly to the point: "The test of a decision is what you can put in the money clip."³⁵

³¹Ibid.

³²John McDonald, "How Businessmen Make Decisions," Fortune, August, 1955, p. 84.

³³Ibid.

³⁴Ibid.

³⁵Ibid.

Happily, however, some think in broader terms and qualify the view slightly while still keeping their sights aligned on profit. Their view is well put by John Holmes, chairman of Swift and Company:

Inherent in any decision, of course, is the profit motive. If the decisions are ethical and good for the business in the long run then profits will take care of themselves.³⁶

The introduction of ethical considerations is implicit in the views of E. T. Weir, chairman of National Steel Corporation: "A combination of all things that will ensure the permanent integrity of the company."³⁷

Profit is qualified in other attitudes by even additional factors. Harmon Whittington, president of Anderson Clayton and Company of Houston, for example, introduces growth: "Our prime purpose is to make money for the stockholders and the only way you can do it is to keep expanding."³⁸

Clearly profit is an essential in enterprise. This profit making is so much a requirement that business persons may lose sight of any broader objective or of any other goal. There is considerable evidence that this is not general and that other factors must be considered in synthesizing an enterprise philosophy.

Creativity

The enterpriser constantly brings things and ideas into

³⁶Ibid.

³⁷Ibid.

³⁸Ibid.

being. He produces. He is creative. This should be an area where businessmen could speak with views founded in practical application. Mr. Walker Cisler, president of the Detroit Edison Company, does not mention creatively when he wonders:

Complexity and something that we often dismiss as human nature make the task of decision difficult. . . .

Is there a solution or at least a working philosophy that can guide us? . . .

Throughout history men have always found the ideas and the means for solving their problems. The process in the past has often been fantastically wasteful. Our greater control over environment offers us the hope that we can solve today's problems without such waste and suffering. . . .

We must be careful not to become so technically competent that we lost track of why we became this way in the first place. Industry and technology have no meaning apart from people. They are not ends in themselves. The basic point must always be the benefits that they confer upon all the individuals who make up the human race.³⁹

Throughout Mr. Cisler's view can be seen the restraint introduced by profit and elimination of waste. In addition there is introduction of the idea of innovation in the concept that men have found a way. The introduction of new things is the creative process and, practical as he is, Mr. Cisler perceives the human as the ingredient. In fact the appeal for creative thinking and action is a temper to the disciplined rationality of technology.

Mr. Cisler is not alone. Dudley E. Browne, vice president, Finance and Controller of Lockheed Aircraft

³⁹ Walker Cisler, "The Growing Challenge of Complexity," Advanced Management, 24, No. 4, April, 1959, p. 21.

Corporation; (also, past president of the Controllers Institute of America) says:

We have had ill-defined objectives in accounting. . . . uniformity, consistency and comparability unduly restrict our progress. . . . Attempts by all parties concerned to make any progress have succumbed to inertia limited in ideas on one hand because of the doctrines of uniformity and consistency and on the other by an approach that what is everybody's business is nobody's business. There seems to be little hope for real progress.⁴⁰

This view is dismal. It strikes to the heart of the enterprise problem. To continue to progress requires new thinking, new ideas--in a word creativity.

A business executive who actually manages creative people is Clinton J. Chamberlain, Director of Research of National Rejectors Inc., a subsidiary of Universal Match Corporation. He discusses engineering management in a recent article noting that the trends to fewer and bigger problems are accelerating. He believes that permitting the highest trained, best expressed, highest competence and most creative engineers to work at conceptual levels and then follow concepts through to initial production is the way to technical control. Mr. Chamberlain, in effect, says that creative people must be the system engineers.⁴¹

⁴⁰ Dudley F. Browne, "Financial Management in a Changing Economy," The Controller, February, 1958, p. 68.

⁴¹ Clinton J. Chamberlain, "Coming Era in Engineering Management," Harvard Business Review, 39, No. 5, Sept.-Oct., 1961, p. 87.

Abram T. Collier when vice-president of John Hancock Mutual Life Insurance Company was even more philosophical recently:

Security as a means is essential to life but as an end it is a form of death. . . . Freedom is not an objective . . . it is a method of organization so that individuals can accomplish their individual objectives. Freedom implies restraint and the burden of choice. The "creator" part of our makeup must find expression if we are to move in the direction of personal fulfillment.⁴²

These interesting thoughts demonstrate the essential conditions to the achievement of creativity. These are a spirit of liberty, a capacity for detachment and faith. It is even more interesting to note that creativity is tied intimately to humanism.

Humanism

People make business and all enterprisers are people. A cliché perhaps but Harlow Curtice, formerly president of General Motors says in recent testimony on his company's organization philosophy:

The first element of this philosophy has to do with organizational structure, the second with our approach to problems. Both of course concern people--in fact, can only be put into practice by people.

It is in this sense that in General Motors we often speak of the importance of people, and stress the fact that it is people that make the difference between one organization and another.⁴³

⁴²Abram T. Collier, "Faith in a Creative Society," Harvard Business Review, 35, No. 3, May-June, 1957, p. 35.

⁴³Harlow Curtice, "The Development and Growth of General Motors," U. S., Congress, Senate, Subcommittee of the Committee on the Judiciary, Hearings, Investigation on Antitrust and Monopoly, 85th Congress, 1st Sess., 1955, p. 82.

The famed Theodore V. Houser, chairman of the Board, Sears Roebuck and Company, has these humanistic views:

Fundamentally we respect the many-sided potentialities of human beings. In more concrete terms, the placement of people is not regarded as a matter of fitting square pegs into square holes; a much better analogy is planting good seed in a well prepared seed bed, and then giving it the conditions that will enable it to attain the fullest growth with which it is endowed. . . .

Every corporation has enormous untapped power in the human beings who comprise its organization. There are many, many demands upon the time and thought of those who will guide the affairs of such institutions, but none more important and, at the same time, more difficult than to transform this latent potential energy into a dynamic Force. . . .

Every business in its personnel policies can develop citizens capable of independent contribution. It can see its customers not as objects of exploitation, an inanimate resource, but as people who will be better customers the better informed they are.⁴⁴

Another business executive of unsurpassed repute is Ralph J. Cordiner. This advocate of decentralized management writes:

General Electric's particular form of decentralization may or may not be applicable elsewhere, but it is built firmly on the chosen philosophy that recognizes the dignity and capacity of the individual human being and recognizes his responsibility and authority for making the decisions that count. This philosophy, I deeply urge, must prevail if freedom is to survive in the world.⁴⁵

The humanistic attitude is not confined to prominent and fantastically successful men. Stahrl Edmunds, an executive with Ford Motor Company, discusses the depth an executive can

⁴⁴Theodore V. Houser, Big Business and Human Values (New York: McGraw-Hill Book Co. Inc., 1957), pp. 5, 30, 102.

⁴⁵Ralph J. Cordiner, New Frontiers for Professional Managers (New York: McGraw-Hill Book Co. Inc., 1956), pp. 42-43.

reach in a company's organization when directing physical transactions of the business. While stressing communication he also has this to say about people:

The vision of a business which is truly individualistic--allowing each person to carry out those actions which fulfill his genius at the same time it encourages responsibility.⁴⁶

Perhaps a word of caution should be added to these opinions on people in enterprise. Malcolm P. McNair has substantial reservations. Mr. McNair is Professor of Retailing at the Harvard Business School as well as an executive in industry where he is a director of Allied Stores Corporation and Indian Head Mills Inc. He says:

My quarrel is not with the solid substance of much that is comprehended by the phrase "human relations", but rather with the "fad" aspects of human relations which are assuming so much prominence. . . .

There can be no dispute with research in the social sciences. . . . we need more and better understanding of human behavior. . . .

Neither is there any dispute in regard to the things that are important for a man's conduct in relation to his fellow men. The foundation is good Christian ethics, respect for the dignity of the individual human being and integrity of character.

Also there can be little dispute with observations on the behavior of people at work. . . . People behave like people. . . .

For me "human relations" skill has a cold blooded connotation of proficiency, technical expertness, calculated effect.⁴⁷

⁴⁶Stahrl Edmunds, "The Reach of an Executive," Harvard Business Review, 37, No. 1, January-February, 1959, p. 87.

⁴⁷Malcolm P. McNair, "Thinking Ahead: What Price Human Relations?" Harvard Business Review, 35, No. 2, March-April, 1957, p. 15.

This is a plea for sense in humanism and not the sentimentalism so common today. After all friction is not too harmful. Every authority cited above, has in his career, been the center of controversy. Individualism is contrary to the philosophy of keeping everyone happy in the moronic sea of conformity. Advance comes from difference and change is generally opposed.

It should not be overlooked in considering Professor McNair's points that his conclusions parallel our views on charity. Do we not attach great significance in charity to those who attempt to help themselves? This is not to say that humanism is charity. Quite the contrary it is to say that individual integrity is also an ingredient of all personal relationships.

Human relationships can be expanded to an even wider field of civic responsibility in the search for philosophy of businessmen.

Civic Relationships

An apparently complex area in the day to day enterprise is the attitude of businessmen toward government and the reciprocal attitude of large central government towards its members in business. In our country we should not lose sight of the fact that the government is our making. What are some attitudes expressed by businessmen?

Recently several corporate presidents commented on the weakness of management in this area. Samuel A. Groves of

United-Carr Fastener Co. said: "An inability to communicate with the public and the politicians."⁴⁸

Mr. Fred C. Foy of Koppers Co. observes:

The unwillingness of most top executives to speak up publicly on the impediments to business growth resulting from the increasing injection of government into the business system.⁴⁹

And Lyle Shepard of Columbian Carbon Co. states:

United States management is too preoccupied with its own problems and gives too little attention to national and worldwide questions.⁵⁰

These views do recognize the essential nature of a broad civic responsibility, but unfortunately they offer little constructive suggestion. Even when a periodical makes a cooperation-oriented survey with leading questions, the results are not too different. Some excerpts of such a survey conducted by U. S. News and World Report recently attest: Mr. Gerald S. Kennedy, chairman of the executive committee of General Mills, replies:

The average businessman feels that the government is working its way toward what might be called crippling controls over business. . . . We're an industrial nation and the envy of everybody. And to ignore--as is being done--what business can contribute, ultimately will weaken our posture and our position with other countries.

Question by editors: Suppose the government were to propose a sort of business-government advisory panel. Would top businessmen be willing to give time and energy to serve on such a group?

⁴⁸"The Acid Test of Management," Dun's Review and Modern Industry, 79, No. 1, January, 1962, p. 32.

⁴⁹Ibid.

⁵⁰Ibid.

Answer by Mr. Kennedy: If there is anything in this world I'm sure of, the answer is "yes" to that. I'd say they would serve, if they were invited, no matter what the political climate was in the hope they could do some good.⁵¹

In a similar comment William C. Stolk, Chairman of American Can Company, says:

Most of the unfriendly attitude we hear about has to do with the Department of Justice and anti-trust matters. . . . They ought to get opinions of businessmen in addition to the opinions of the long haired boys. Theory is one thing and practical application is something else.⁵²

Mr. Stolk continues and then advocates a non-political panel to propose changes in laws to make it easier to meet foreign competition.

Mr. Stolk to the contrary it is not all "long haired" opinion on a broad civic responsibility of enterprise. The comment of Owen D. Young once chairman of the Board of the General Electric Company as long ago as 1929, remarked on corporate responsibility:

Customers have a right to demand that a concern so large shall not only do its business honestly and properly, but further, that it shall meet its public obligations and perform its public duties. . . . In a word, vast as it is, that it should be a good citizen.⁵³

⁵¹"Why Businessmen Feel Harassed by Government--What's Behind the Worry?" U. S. News and World Report, December 25, 1961, p. 18.

⁵²Ibid.

⁵³J. D. Clover, The Attack on Big Business (Norwood, Mass.: The Flimpton Press of the Harvard University Press, 1954), p. 338.

An even more sweeping, positive view was held by Frank W. Abrams, when chairman of the Board of the Standard Oil Company (New Jersey). He stated:

Business firms are man-made instruments of society. They can be made to achieve their greatest social usefulness--and thus their future can be best assured--when management succeeds in finding a harmonious balance among the claims of the various interested groups: the stockholders, employees, customers, and public at large. But management's responsibility, in the broadest sense extends beyond the search for a balance among respective claims. Management, as a good citizen, and because it cannot properly function in an acrimonious and contentious atmosphere, has the positive duty to work for peaceful relations and understanding among men--for a restoration of faith of men in each other in all walks of life.

A modern corporation management, which has developed good social sense as well as good business sense, will accept the major responsibility to contribute to a satisfactory way of life for the men and women who work for it.⁵⁴

It would be incomplete to not orient a concept of civic responsibility to a practical current application. The use of satellite bodies in a worldwide communication system is technically feasible, of obvious worldwide social benefit, clearly a huge capital requirement, and a current controversy. Who is going to do it and who will get what? Time will tell, but confidence is restored in attitudes of business by the cooperative interest exhibited by big business. For example, Frederick R. Kappel of the American Telephone and Telegraph Company says: "We are eager to do the job--eager to move ahead."⁵⁵

⁵⁴Ibid., p. 339.

⁵⁵"The Satellite Scramble," Forbes, Business and Finance, March 15, 1962, p. 36.

No matter what the outcome it will be a challenge and whatever business/government arrangement is made it will be interesting to observe the performance. But performance is a separate area where we can examine business viewpoints.

Performance

Is performance a total view measured against broad attainable goals or is it a statistical determined parochial view? Quite naturally there are opinions at both poles. The same Frederick R. Kappel represents the broad guage group. In the 1960 McKinsey Foundation lecture series he declared:

Three criteria . . . concern carrying on and improving the management of a business:

Is the company improving its knowledge of, and control over, its business?

Is it providing for future top management?

Is it contributing to the available knowledge about managing? . . .

Business management is becoming more complex. In the future a larger proportion of men with the potential to carry the challenging responsibilities of management must actually develop their potential to the full. . . .

For managers at all levels throughout an organization, particularly a large one, sharply-defined company goals in all these areas will help to assure that the decisions that must be made will contribute to company progress. . . . This is what goals are for, to exploit the leeway that current success gives in the interest of future vitality.⁵⁶

In somewhat a like fashion he describes a definition of excellent management performance:

⁵⁶ Frederick R. Kappel, Vitality in a Business Enterprise (New York: McGraw-Hill Book Co. Inc., 1960), pp. 64-66.

This definition must include not merely the actions that bring current success; it must also take into account the things that need to be done to build vitality, for instance, the ability of managers to give subordinates a true delegation of responsibility, their ability to choose people, to help them develop their abilities and to set goals.⁵⁷

He has reservations on statistical analysis:

Statistical analysis is of course only one of the tools of good management, and should not be regarded as anything more than that.⁵⁸

On the other side of the fence there are many hard-fisted businessmen. The businessman-inventor, Sherman M. Fairchild, is chairman of the board of three different corporations which bear the Fairchild name and, incidentally, the largest single stockholder of the International Business Machine Corporation with 150,000 shares of stock. His competitive drive is evident in saying: "It's not enough to be just a little better than your competition, you've got to obsolete 'em, slay 'em."⁵⁹

Quite obviously only the very top is acceptable in his standard of importance. He has this remark about management performance: "I got in only when I think management needs pawing over."⁶⁰

⁵⁷Ibid., p. 89.

⁵⁸Ibid., p. 45.

⁵⁹"Yankee Wizard," Forbes, Business and Finance, April 1, 1962, p. 16.

⁶⁰Ibid.

A more analytical view of performance is expressed by B. F. Coggan, formerly vice-president and manager of Convair (San Diego), a division of General Dynamics, who believes in a well thought out budget program permitting definition of objectives, a program plan, economy, reduction of waste, detection of trouble, and assignment of responsibility. In a word he believes in performance.

There are two major objectives in running any business:

1. Profits. . . .
2. Competitive costs and prices. . . .⁶¹

Finally some tie reservations on performance appraisal back to humanism. Douglass McGregor who is now a professor at Massachusetts Institute of Technology, but formerly was an executive in private business as well as a consultant to both unions and management, explains:

The needs of the organization are obviously important but when they come into conflict with our conviction about the worth and the dignity of the human personality one or the other must give.⁶²

He continues by pointing out that the failure of most performance appraisal plans lies in the distress of the supervisor faced with the responsibility of judging the personal worth of another man. He concludes: "Managers are uncomfortable when they are put in the position of playing God."⁶³

⁶¹B. F. Coggan, "What Management Expects from the Budget," Business Budgeting, January, 1958, p. 11.

⁶²Douglass McGregor, "An Uneasy Look at Performance Appraisal," Harvard Business Review, 35, No. 3, May-June, 1957, p. 89.

⁶³Ibid.

It is remarkably significant that in all of these citations from enterprising men there is seldom a single track view. Continually these viewpoints cross area lines and blend into a total concept. This is descriptive of all human effort--there is not one best way. Rather, it appears, a consensus of philosophy as practiced would be a blending of satisfactory ways.

CHAPTER IV

DOES PRACTICE CORRELATE WITH THEORY?

At last we left our troubles behind us, emerging into the channel of a brook that circled along the foot of the descent; and here, turning joyfully to the left, we rode at ease over the white pebbles and the rippling water, shaded from the glaring sun by an overarching green transparency. These halcyon moments were of short duration. The friendly brook, turning sharply to one side, went brawling and foaming down the rocky hill into an abyss, which, as far as we could see, had no bottom; so once more we betook ourselves to the detested woods. When next we came out from their shadow and sunlight, we found ourselves standing in the broad glare of day, on a high jutting point of the mountain. Before us stretched a long, wide desert valley, winding away far amid the mountains.⁶⁴

Definition and clarification of enterprise is fundamental to the correlation of theory and practice of business philosophy. In this paper enterprise is a project undertaken especially one that is of some importance or which requires boldness or energy.⁶⁵ Phillip Wernette makes a nice working definition when he writes:

Enterprise is closely related to management and to capital investment, but it is not quite the same as either. It means undertaking new things. The

⁶⁴ Francis Parkman, The Oregon Trail (Philadelphia: The John C. Winston Co., 1931), p. 258.

⁶⁵ The American College Dictionary, ed. C. L. Barnhart (New York: Random House, 1947).

new things may be new consumer products. . . .
 Or they may be new methods of making things--
 The use of new sources of power, of new machinery,
 or of new production methods; or they may be new
 businesses in already established lines. . . .⁶⁶

We use enterprise without the beclouding adjectives, free, private, or such, which clearly overqualify the word to the point where there is none such.

What correlations can be found to exist between theory and practice of enterprise philosophy? Considering each of the topical areas previously listed is a beginning point.

The Rewards of Enterprise

Businessmen find profit, the pecuniary gain resulting from the employment of capital in a transaction, a reward for enterprise. This is certainly basic--so basic, in fact, that it is a precondition for mercantile enterprise. Some introduce growth which is a way of saying deferred or future multiplied profit and still others qualify profit with ethical, moral and human considerations. It is similar with the educators. Drucker implies a monetary profit in several of his writings. Davis sets down profit as a requirement. Argyris does not cite profit as such, but reasons deliberately from the basis of the competitive world in managing. Finally the historical interests of Oscar and Mary Handlin show that the development of our liberty designed a system whereby capacity for action and alternatives

increased providing basis for reward.

The introductory review of philosophical foundations, economic roots, and geopolitical history of America give credence to this direct correlation of views between business and scholastic. The basic nature of profit in enterprise stems directly from a rational philosophy, enlightened self interest and the favorable American environment. The recent profile of an American corporate president added more support when it identified these characteristics which concern economic rewards:

He has an imaginative approach towards opportunities for growth, preferring a slightly larger measure of risk than caution.

He likes black ink on the annual statement, but knows that an occasional red ink season is the test of management stamina.

He takes plenty of advice from the treasurer on investing profits already assured, but as little as possible on the risks of capital expansion for future reward.⁶⁷

There is a definite tendency both in the literature and in the public remarks of executives to cite restraint on pure dollar profit as a single purpose in enterprise. These restraints which appear as moral, social, and civic conditions must, however, be regarded as boundary conditions for healthy reward and not in any sense as arguments to eliminate economic reward. We conclude that practice and theory concur, that profit is a fundamental motive for enterprise. In our system, this profit is economic reward which may be deferred for growth

⁶⁷ A. M. Sullivan, "Profile of a President," Dun's Review and Modern Industry, 75, No. 1, January 1960, p. 57.

and which is restrained by moral, social and human considerations.

The Symptom of Enterprize

Creativity, innovation, ingenuity, inventiveness and originality are the symptom of enterprise. This is well recognized by the practical businessman and by some intellectuals. In a brilliant passage, Norbert Weiner, a truly creative scientist, writes:

I speak here with feeling which is more intense as far as concerns the scientific artist than the conventional artist, because it is in science that I have first chosen to say something. What sometimes enrages me and always disappoints and grieves me is the preference of great schools of learning for the derivative as opposed to the original, for the conventional and thin which can be duplicated in many copies rather than the new and powerful, and for arid correctness and limitation of scope and method rather than for universal newness and beauty, wherever it may be seen.⁶⁸

This is not rebellion. It is concise recognition that it is in the new where the frontier of known and unknown merge that the big rewards will be found. The practicing executives recognize this. Walker Cisler speaks of the benefits to be bestowed by technical competence, Dudley Browne virtually paraphrases Weiner in business parlance, Clinton Chamberlain pleads for the creative system engineer working at conceptual levels, and Abram Collier argues for expression of the "creator"

⁶⁸ Norbert Weiner, The Human Use of Human Beings Cybernetics and Society (Garden City, New York: Doubleday Anchor Books, Doubleday Inc., 1954), p. 135.

part of individual makeup. The "Profile of a President" introduces these talents of a top executive which emphasize creativity:

He is logical up to the point of decision when he may upset the obvious with inspired judgment. . . .

He picks "yes" men who see potentials beyond the question asked and "no" men who are specialists in methods, techniques, and cost accounting. . . .

He has more respect for the man who makes a wrong decision in an emergency than for the man who wrings his hands and takes refuge in the rule book. . . .⁶⁹

Ralph Davis does not emphasize creativity in his requirements for management philosophy. He tends to the deliberate rational approach of the Newtonian. He qualifies his "progressive conservatism", however, with an interdict on turning back the clock. Drucker is not quite the rigid thinker that characterizes Davis but his concept of innovation is merely one of providing an atmosphere by ridding the old. This is still not a truly positive view. Chris Argyris rebels against conventional organizational thinking and introduces personality and individuality. These are the characteristics of the creative. Finally Oscar and Mary Handlin's development of the free individual acting with minimum constraint provide backdrop for innovation. These disparities of view only reinforce Weiner's concern. We should inquire briefly then into the difference of creative people compared to others. James Wyatt finds that the opinion that the scientist belongs to a strange

⁶⁹ Sullivan, Dun's Review and Modern Industry.

breed, difficult to supervise and administer, unable to have his productivity measured, and best left alone, are yardsticks which are simply not true. His research based on survey of over three thousand engineers and scientists showed that the ambition and industry of these persons required only proper administration.⁷⁰

How can we resolve this noncorrelative situation where the enterpriser practicing business and science finds himself somewhat at odds with the foremost business philosophers? This could be rephrased to query how do we deal with resistance to change? A common solution is something called "participation". Paul Lawrence of the Harvard Business School believes that it is not the technical changes which people resist but rather the social changes, the people to people relationships. He points out that:

Participation will never work as long as it is treated as a device to get someone else to do what you want him to. Real participation is based on respect.⁷¹

In this interpretation Davis and Drucker, despite their acknowledged position as consultants to industry, are viewed as not up to date with the essentiality of creativity in the sense of Weiner or Browne. They perceive a social order change contrary to their bias. Argyris and the Handlins, however,

⁷⁰ James Wyatt, "Are Creative People Different," The Management Review, July, 1959, p. 60.

⁷¹ Paul R. Lawrence, "How to Deal with Resistance to Change," Harvard Business Review, 32, No. 3, May-June, 1954, p. 49.

have adapted. We must recognize that the disparity is only evidence of freedom and that to produce by creation and innovation is to be free.⁷²

In a manner similar to Greenewalt in describing The Uncommon Man we can conclude that conformity is a two edged sword which is essential to good manners but dangerous in thought patterns. Freedom of thought is necessary to range over the problems of enterprise. Likewise too rigid process within administrative and organizational bodies will shifle creative thinking and consequently eliminate enterprise.⁷³

The Human Side of Enterprise

There can be no enterprise except that which is in response to the needs of people. If there is no need to be satisfied than the most original, startlingly new, concept or enterprise is doomed from the beginning. The humanistic orientation of enterprise is clear in the awakenings of our philosophy, in the evolution of our economic system and of course in the development of our freedom. Parker and Kleemeir point out that individuals need to be recognized as such; they need to be appreciated as human beings; they need to achieve, improve, grow and be recognized; and they need to contribute.⁷⁴ These

⁷²B. E. Kline and N. H. Martin, "Freedom, Authority and Decentralization," Harvard Business Review, 36, No. 3, May-June, 1958, p. 69.

⁷³Crawford H. Greenewalt, The Uncommon Man (New York: McGraw-Hill Book Co. Inc., 1959), p. 82.

⁷⁴R. W. Kleemeir and W. E. Parker, Human Relations in Supervision (New York: McGraw-Hill Book Co. Inc., 1951), p. 122.

are the needs which are the intangibles which enterprise must satisfy.

In the minds of foremost businessmen it is quite logical then to find that people make the difference. In the hard world of practice we find Curtice, Houser, Cordiner and others reinforcing the significance of individuality, dignity, and human dynamics. This is not unexpected because all of these men wanted no less for themselves when they offered enterprising ideas. The human side of enterprise concerns itself with the individual in the organization. With increasing compartmentation, specialization, and parochialism in organization, we must expect enterprisers to maintain human efficiency in the same degree that they attain economic efficiency.⁷⁵

Do the educators share this concern for individualism? Again we find a diversity of opinion. Davis emphasizes the concept that the services of an enterprise must be needed or desired by customers and introduces the idea of responsibility for actions to both sides of agreements. Drucker goes further and speaks of the community of human beings, but he too attaches tremendous importance of the human side of the manager. Chris Argyris, of course, is strongly humanistic oriented. His views stem entirely from despair with the loss of individualism in tight modern day organizations. Oscar and Mary Handlin again order the development of our liberty in terms of people.

⁷⁵ Allan C. Filley, "What is Human Relations?" Advanced Management, April, 1958, p. 57.

The diversity of opinion thus is one of intensity of significance of human individualism and not a disparity of view. Even so the educators do not seem quite as emphatic as the executives. This may be due to the difference in the nature of the two groups, but in any event concurrence is excellent in the vitality of individuality in enterprise.

The "Profile of a President" gives these aspects of the human side of the enterprising executive:

He leads by example more than directive, and those who follow feel the pull of his personality rather than the push of his will power.

He listens with respect to at least one management maverick who disturbs the economic pattern makers with offbeat ideas and auguries.

He wants the facts in black and white, but is well aware that every observer colors his report according to circumstances and interests.

He may be a specialist by training, but he is a generalist in spirit and a humanist in his attitude towards life's problems and compensations.

He listens attentively to the playback of grapevine news, but knows that most of it comes from palace guard chatter.⁷⁶

The profile introduces a middle path view of human relations which is not unlike the cautions of Malcolm McNair or the reassurances of Chris Argyris. Donald R. Schoen puts it nicely:

It is the essence of the human relations approach that people should understand one another. So it makes sense that there should be understanding among those who have different ideas about the approach itself.⁷⁷

⁷⁶ Sullivan, Dun's Review and Modern Industry.

⁷⁷ Donald R. Schoen, "Human Relations: Boon or Bogle," Harvard Business Review, 35, No. 6, Nov.-Dec., 1957, p. 41.

In other words human relations is relevant to executive action and business leadership if there is recognition that leadership, management and action involve more than human relations. In enterprise, a need must be satisfied for people who differ in intelligence, experience, energy, emotional stability and situation. Meanwhile the same people are alike in their reaction to frustration and conflicts, social drives, and egocentricity. There is much to offer in the middle path using the prescription of Professor Faith:

People are different each one from all the rest.
 You can get more work by helping a man feel
 important than by being afraid.
 A great deal of human behavior originates from
 other than logical reasons.
 You have to like people.⁷⁸

The human side of enterprise is the people who will be served by the enterprise. These are identical to those who will be employed by the enterprise or, in fact, to the enterpriser himself. They need no sugar coated pills nor do they need marshalling in autonomous assembly. They need individuality and reasonable choices.

Total Responsibilities of Enterprise

The executive who by virtue of his individual enterprise reaches the top of his organization seems to neglect the fact that his organization is only a small fragment of the total

⁷⁸ Don Faith, "Human Relations," Lecture before the Navy Graduate Comptrollership Program, The George Washington University, Washington, D. C., September 7, 1961.

structure of our society. Can it be that the apathy shown by some businessmen in civic responsibility is the duplicate of the apathy shown by employees to a highly structured business organization? There is little positive correlation between business views on civic cooperation and the views of management educators. This is tragic when it is considered that service to community is as vital a facet of enterprise as is service to individual customers. How can the latter exist without the former?

Nielander and Miller make good points in the responsibility of a business in community relations:

What can the average individual business organization do to promote community relations? The cardinal principle is not to seek any direct monetary or other advantage in any such program which a business carries out. The second principle is to execute the program with skill, completeness, tact and good showmanship. But good showmanship does not require the bizarre sensational or fantastic. The opportunities for a community relations program by an individual business institution are legion. But all programs should keep in mind the obvious fact that such a program is the good neighbor policy. Only by close association, by being mutually helpful and united in a common effort can individual community relations programs succeed.⁷⁹

Examination of the remarks of executives reveals a propensity to wait until asked to perform a civic service. Then the service would probably be in an area where an indirect benefit could be expected for the executive's enterprise. At the same time the executives realize that they are not communicating. This unhappy state of affairs is offset somewhat by the opinions of Young and Abrams who recognize the need

⁷⁹R. W. Miller and W. A. Nielander, Public Relations (New York: The Ronald Press Co., 1950), pp. 189-190.

for civic responsibility. At the far end of the spectrum are executives of regulated interests such as F. R. Kappel who is eager to move ahead in areas of business-government cooperation. It is not characteristic of enterprise to be so tentative and withdrawn as most executives are in civic contribution. Stephen B. Miles a marketing executive sees the danger and argues that both the politician and the manager are servants of organization. Both accept the values, morals, and ambitions of the organization. Corporate executives actually resemble officials of government. Each is self assured, concerned with filling his job successfully, loyal to those served, aware of competition, and sensitive to people.⁸⁰ There is no explanation for the failure of enterprising businessmen to participate in civic affairs other than loss of ego, satisfaction or failure to obtain economic reward.

The views of executives are more remote than are those of the business educators on civic responsibility. Davis, for example, assumes a right of private property and the importance of ethical principles. These, of course, are true in our system, but they are relative truths in other systems. Only by civic participation can enterprising men continue to insure that this will remain a basis. Drucker also presupposes a community founded on common beliefs. Note that Stewart observes that higher levels of loyalty such as that to objectives, to the

⁸⁰ Stephen B. Miles, Jr., "The Management Politician," Harvard Business Review, 39, No. 1, January-February, 1961, p. 705.

philosophy of the free enterprise system are important to top management but are not too meaningful at lower levels. In fact they are distant horizons to most employees.⁸¹ It is significant that Drucker envisions challenge to managers lie in the structure of the work force innovation, marketing and finance. Everyone of these is an area where government action is not only likely but probable. Would it not be more logical to say that a greater challenge to managers lies in how they discharge civic responsibility.

Argyris does not speak in terms of contribution to the community but he does stress diagnostic skill in enterprise. Since management spokesmen speak in terms of being misunderstood then they would diagnose the communication breakdown as due to a difference of social role, a clash of personality, or similar failure. On this subject F. J. Roethlisberger is penetrating when he explains that a communication breakdown means that people think they say the same thing when in fact they do not.⁸² This reinforces the earlier observation on distant horizons. Argyris also observes that apathy and disinterest also inhibit effective diagnoses. There are those symptoms here.

We can be more hopeful in considering the Handlins'

⁸¹ Nathaniel Stewart, "A Realistic Look at Organizational Loyalty," The Management Review, January, 1961, p. 34.

⁸² F. J. Roethlisberger, "The Administrator's Skill: Communication," Harvard Business Review, 31, No. 6, November-December, 1953, p. 55.

views. Here is pointed out that phenomena of American history which was the participation in civic affairs by the economic enterprising interests. He consented to the procedures by which he would be governed can, unhappily, also apply to the apathetic approval.

The "Profile of a President" includes some qualities evidencing civic participation. These are:

He believes in law and order but refuses to be thwarted by tradition.

He is loyal to his community and has a deep sense of social obligation, but refuses to be the whipping boy for the mistakes of civic management.

He has strength of character that exchevws pomp, bluster, and strut, but he is resolute under any test of ethics or honor.⁸³

Again unfortunately these are defensive and shallow. Notice that no evidence of the application of enterprise to total responsibility to society is included in the profile. This situation is changing. A most recent article observes, with Davis' constraint on concentration:

Working for civic and charitable organizations is an important part of most businessmen's lives. . . .

Select two or three causes in which you're really interested and give them the best you've got. Don't take on so many that you can't do justice to any. . . .

You may be able to delegate certain parts of a major community undertaking to other executives in your company.⁸⁴

This is more positive but is based on a preconceived conformity and not on any concept of service.

⁸³ Sullivan, Dun's Review and Modern Industry.

⁸⁴ "Personal Outlook," Nation's Business, 50, No. 4, April, 1962, p. 53.

Regretably there is no strong correlation between practice and theory on executive civic responsibility. This is principally occasioned by lack of strong opinion on the subject. This is a major departure from our history and not consistent with the service concept of enterprise.

Results Count

Performance is the crucial test of enterprise. There is no escaping the single fact that in the end it is the results that count. Before result comes decision. Perrin Stryker, in one of his fascinating articles, observes that decision making goes beyond the assembly of facts and a mechanical decision. A decision must be made in clear conscience to be effective. The moral, cultural and personal characteristics of a man set the boundaries of his decisions. Reason, logic, common sense and the other practical rationalities do apply in decision making, but they must be tempered by the relative significance of details, the consequences of the action, the impact of and by persons and all of the illogicalities of life. Timing is critical in a decision. It is important to decide when to defer and it is essential to recognize the consequence of vacillation. Performance thus reduces to a measure of decision making.⁸⁵

Interestingly some of the non-rational aspects appear in Dun's Review and Modern Industry's "Profile of a President":

⁸⁵Perrin Stryker, "How an Executive Makes up His Mind," Fortune, April, 1960, p. 151.

He surrounds himself with experts but often confounds them by his short cuts to essentials, his ability to clarify and simplify.

He has the curved vision of the prophet who sees the goal ahead without disturbing too many who stand in the light.

He hates technical jargon and under the pretense of ignorance gets needed information reduced to language any executive understands.

He is a planner who describes perimeters of time and space, leaving the inner dimensions to the man at the drafting board.

He has an eye for detail but no love of it, leaving that chore for the near sighted and the pencil chewers.

He tests management potential at all levels with authority as well as responsibility and is always prepared for surprises.

He admires democracy in principle but often ignores it in practice, realizing he is a majority of one when the chips are down.

Without being a paternalist, he considers his employees, customers, and stockholders as personal charges--and in that order.⁸⁶

The majority of high level executives cited had reservations about the precise use of analytical techniques in the decision process. The intermediate level executive on the other hand had a closer affinity for the precision process. This can be attributed to the use of rather precise, measured goals at intermediate levels. Arnold F. Emch writes that every key position in an enterprise should be related to some set of goals for specific calendar periods.⁸⁷ This is unattainable for top enterprisers unless the objectives are broadened to include

⁸⁶ Sullivan, Dun's Review and Modern Industry.

⁸⁷ Arnold F. Emch, "Control Means Action," Harvard Business Review, 32, No. 4, July-August, 1954, p. 56.

service aspects which are difficult of measure to say the least. The businessman thinks of performance in terms of the competition or of his own personal goals or concepts.

How does this correlate with the teachings of management professors? Davis gives strong support to practice when he requires competitive accomplishment of corporate service objective in management philosophy. Drucker, too, stresses competence. Argyris presupposes surviving in a competitive world. Lastly Oscar and Mary Handlin demonstrate beyond doubt that our liberty is designed on a basis of competition. We conclude that this one hundred percent correlation is no accident. Enterprise demands competition in order to find, develop and exploit the new.

The newest performance technique of operations research--the process of conducting explicit quantitative analysis of an existing operation directed at developing improved methods of operating. It makes use of all or any scientific techniques which may sharpen the analysis or improve the situation.⁸⁸ This is appraisal of competitive survival on the most complex plane to date. It is the essence of business survival and enterprise application that such techniques find application.

Finally the round table on Executive Potential and Performance concluded:

Qualities required of successful executives--particularly the ability to make decisions.⁸⁹

⁸⁸Joseph F. Buchan and Roger R. Crane, "Introduction to Operations Research," Business Budgeting, July, 1961, p. 16.

⁸⁹"What Makes an Executive," Report of a Roundtable on Executive Potential and Performance (New York: Columbia University Press, 1955), p. 137.

Performance, decisions, results, are strongly correlated in practice and theory.

Profit and performance are assessed mutually by executives and educators. They differ somewhat in views regarding humanism and creativity. There is no real depth of thought from either in civic responsibility. Expressed in another way, the thinkers and doers agree on the results of enterprise, vary slightly on the how of enterprise and offer little conjecture on the broad responsibility of enterprise.

CHAPTER V

CONCLUSIONS

It is well known that the Little People cannot abide meanness. They like to be liberally dealt with when they beg or borrow from the human race, and on the other hand, to those who come to them in need, they are always generous.⁹⁰

The conclusions of this work divide into two separate areas. First are those which result from the studied correlation of the theory and practice of enterprise. Second are those which bear on the synthesis of a philosophy of enterprise. These latter naturally lead to some thoughts and propositions for future research. First things first.

1. Profit is a fundamental motive for enterprise. In our system, profit is economic reward which can be reinvested and reappear in growth. Profit is restrained only by moral, social, and human considerations.

2. Too rigid process in administrative and organizational bodies will stifle creative thinking and eliminate enterprise. The two edges of conformity are manners on the one side and unchallenged thought patterns on the other.

3. The human side of enterprise includes the people served, the people serving, and the enterpriser. All require

⁹⁰Juliana Horiata Ewing, "The Hillman and the Housewife," The Atlantic Treasury (Philadelphia: The Atlantic Monthly Press, 1924), p. 248.

individuality and choice.

4. Enterprise requires civic responsibility and contribution in order to project American tradition to the years ahead.

5. Enterprising performance will evolve only in competitive atmospheres. Newness requires challenge to develop and apply.

In the second instance study indicates certain clear tenets in a philosophy for enterprise. These are:

1. Reward is the symbol for success in creativity.
2. Mediocrity is the cancer of creativity.
3. Individuality spawns creativity.
4. Civic horizons challenge creativity.
5. Competition fosters creativity.
6. Creativity and enterprise are synonymous.

These tenets center and have meaning in one word: creativity. During this research this was the principle intangible always added to any definition of leadership, managing, enterprising or whatever phenomena of our economic method was discussed. For instance, in describing an ideal leader, W. I. McNeill writes: " . . . lastly a touch of creativeness to complete the specification."⁹¹

Professor James Mosel said:

Creative organizations require planned irrationality, but this must be kept within

⁹¹W. I. McNeill, "Advances in Human Relations vs. Advances in Science and Technology," Advanced Management, July, 1960, p. 121.

limits so that irrational action does not dominate. Define the perimeters.⁹²

H. A. Overstreet writes:

Adjustment is not synonymous with maturity. . . . The highest duty is not to conform to institution and customs but to grow in an environment conducive to growth.⁹³

And finally Walter Hamilton lectures:

It is important that the spirit of competition shall be enhanced and not impaired. There must be an outlet for the creative urge, free play for the dynamic drive. In a society, as in the physical world motion is inseparable from life.⁹⁴

Enterprise has no meaning apart from creativity and it is here that the need is greatest for further study and research. Some propositions for test and exploration are these:

1. In the oligopolistic society the creative urge will be concentrated on satisfaction of mass needs.
2. The irrational nature of creativity will be suppressed in management accustomed to decision by statistical methods.
3. The requirement to educate in a few of many disciplines will reduce creative work to disciplines where government sponsored research funds or large industrial grants are available.
4. Increase in personal security and satisfaction with the status quo will reduce creativity to the detriment

⁹³H. A. Overstreet, The Mature Mind (New York: W. W. Norton and Co., 1949), p. 98.

⁹⁴Walter Hamilton, The Politics of Industry (New York: Alfred A. Knopf Inc., 1957), p. 169.

of our society as compared to competing systems of government.

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